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News Headline: Thousands drop PSNH for cheaper electricity supplier |  

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News Text: When Doris Rolinson heard about ENH Power from a neighbor in her Londonderry mobile home park, she decided to go online and check out the PSNH competitor. A retiree living on a fixed income, she filled out the online application for energy service in August and got her first electric bill with ENH as the energy supplier in October.

The \$10 savings on the energy charge portion of the bill was enough to convince her that the limited effort was worthwhile.

“Even \$5 is a help. That’s the way I look at it,” she said. “So I’m very happy I made the change.”

It’s been more than a decade since state laws were changed to give consumers choice in their electricity provider. Competitors were quick to bid on commercial or industrial accounts, but until recently there was no interest in residential customers.

The effect of low-cost natural gas on the energy market is changing that dynamic. Consumer choice in electricity is about to take off in the Granite State, according to industry insiders and power providers.

Many of the largest commercial and industrial users of electricity in the state buy their energy from some company other than PSNH, yet only 5 percent of residential customers are taking advantage of competitive energy options that have been available since 2001. Most of those made the switch in the past year, as competitive energy companies signed up new residential customers at a record rate.

In just three months since opening for business in New Hampshire, ENH Power, a Maine-based company with offices in Portsmouth, says it has signed up more than 14,000 customers looking to lower their electric bills by lowering the one part of the bill they can control — the energy supply charge.

Residential Power, based in Auburn with offices in Manchester, began aggressively marketing for new customers in February and since then has signed on about 11,000. Those two companies account for the majority of residential switch-overs from PSNH, which remains the energy supplier for 95 percent of the residential market. Until last year, PSNH had 99.8 percent of the market.

“I believe by the end of 2013 you’ll see at least 40,000 and perhaps as many as 70,000 making the switch,” said Bart Fromuth, managing director of Residential Power. He predicted an additional 10 to 15 competitors would enter the residential market in the year ahead, pushing prices even lower.

FairPoint Communications, the state’s largest telecommunications utility, announced last week that it has begun offering a competitive energy supply rate for residential electricity customers, with an emphasis on “green” power sources.

PSNH still delivers power to all the customers in its franchise territory, which accounts for 70 percent of the state and 80 percent of the population. Those customers pay PSNH for transmission, distribution and other costs approved by the Public Utilities Commission. The energy charge, which accounts for more than half the average electric bill, is subject to competition.

The other regulated utilities — Unitil, Granite State and the New Hampshire Electric Coop — share the remaining 30 percent of the market and face the same competitive factors. For now,

PSNH customers are the primary target of companies such as Residential and ENH, but on Oct. 1, ENH announced it would begin offering its rates in the Unitil and Granite State Electric franchise areas.

Customers who switch continue to get their electric bill from the regulated utility, but will notice a different provider on the energy supply charge.

Most vulnerable

PSNH has the largest number of customers and is the most vulnerable in terms of price because, unlike the other three utilities, it still owns power plants that affect its costs. Those power plants gave the company a price advantage when they produced energy from coal and other sources that were cheaper than other fuels. But the tapping of natural gas reserves in the mid-Atlantic states made accessible by hydraulic fracturing (fracking) turned that equation on its head.

Consumers in New Hampshire have not had the same opportunity as those in other states to take advantage of historically low natural gas prices, but that's about to change.

"For the past 10 years, the competitive suppliers couldn't make any money by selling to residential customers," said Martin Murray, spokesman for PSNH. "But because of the natural gas phenomenon, marketers are able to purchase energy for a very low price, build in their profit, and in some cases still be lower than our price ... at least for now. How long that will be, who knows?"

The price difference is not huge, for now. PSNH's current energy charge is 7.11 cents per kilowatt hour (kwh), compared with 6.99 for ENH. "It might not seem like it's going to revolutionize the world, but it adds up over time," according to Fromuth, who said savings of \$60 to \$100 a year are enough to prompt a consumer to make the change.

Those individual savings have a collective effect on a market that involves virtually every household and business in a state. ENH says 150,000 Maine residents who signed on with the company's Maine affiliate saved more than \$12 million in the past 12 months.

If the PSNH energy charge goes up to 8.97 cents per kwh next year, as the utility predicted in a filing with the PUC last month, the competitors' offers could seem even more attractive.

Murray said PSNH offers price stability, while competitor prices can change more frequently. "We are not a competitor," he said. "Our charge is based on our costs, plus a regulated return. We are not in the competitive marketplace. We don't try to sell to people. We just give them the facts and say, 'Be careful. Read the fine print.'"

Conventional wisdom

Nancy Kyle, president and CEO of the state's retail merchants association, said her group carefully studied the fine print and decided to strike a deal with Resident Power. So far, about 30 association members have made the switch for either business or residential accounts. "We don't endorse lightly," she said. "The last program we brought on board was a workers' compensation provider in 2004. We had a lot of people knocking on our door, so we did our homework."

Kyle said it will take time for consumers to get used to the idea of shopping for electricity.

She said: "We tried to do this when the market first deregulated, and it was so new and so scary we couldn't get one person to sign up for the program, and it's still one person at a time. People don't understand it. They're hesitant to change. Where we are now is where we were 15 years ago with telephone service."

One factor helping to promote the change is the perception that New Hampshire has the highest electricity costs in the country. At the New Hampshire Energy Summit on Oct. 22, a former official from the U.S. Energy Department called it “the conventional wisdom.”

Part of the problem, she said, is location. Five New England states are in the top 10 when it comes to total costs per kwh, with New Hampshire fifth at 14.74. Connecticut is the most expensive at 16.35, with Massachusetts and Vermont close to New Hampshire at 14.11 and 13.80, respectively, according to U.S. Energy Information Agency data as of Oct. 2.

Susan Tierney, now with a Boston energy consulting group, said people don't really care about kwh rates, they care about the bottom line on their electric bills. Contrary to popular belief, she said, average electric bills in New Hampshire and energy expenditures per capita are in the middle of the pack.

Waiting on the sidelines

The PUC website currently lists more than 70 energy providers registered to operate in New Hampshire. But only a handful are active. Many are waiting on the sidelines for the outcome of PUC cases filed by the Retail Electric Supplier Association, the supplier trade organization.

The competitive suppliers want the utility companies to assume the risk associated with bad debt, since the utility has the power to shut off the electricity when people don't pay their bills. They want an education program that requires utilities to inform new residential customers about alternative suppliers, and they want better access to information on how much energy each utility customer uses.

Murray predicted the hearings would be contentious.

“They are basically asking the PUC to give them direct access to our customer usage and account data,” he said. “There will be a bit of a discussion before something like that is allowed to happen.”

Lawrence McDonnell, director of external communications for Constellation Energy, said his company has been serving industrial and commercial customers and is ready to jump into the New Hampshire residential market, depending on the outcome of the PUC proceedings. The good news for consumers is that natural gas prices are expected to stay at current levels for at least the next four to five years. Whatever happens at the PUC, the competitive marketplace for energy is likely to continue growing in New Hampshire.

“Customers are increasingly in the driver's seat,” said McDonnell. “They are demanding more, and in the competitive environment, they are getting more.”

Dave Solomon may be reached at dsolomon@unionleader.com